

ABOVE THIS LINE FOR DIVISION USE ONLY

M&G Drilling Co.
141852

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

Marron 100
30-045-35181
Marron 42A
21812

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

Basin Fruitland Coal Gas
71629
Otero Chacra Gas
82329

DHC-1581

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name	Signature	Title	Date
PAUL C. THOMPSON	<i>Paul C. Thompson</i>	AGENT/ENGINEER	10/19/10
		e-mail Address	
		PAUL@WALSHENG.NET	



October 19, 2010

Mr. Mark Fesmire, P.E.
NM Oil and Gas Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Surface Commingling
M&G Drilling Co. ✓
Marron #100 (FTC) and Marron #42A (MV) ✓
Sections 22, T27N, R8W

Dear Mr. Fesmire,

M&G Drilling Co. requests permission to surface commingle the gas production from the above mentioned wells so they can utilize a common compressor and metering station. The two wells are on the same Federal leases but are producing from different formations.

1. Proposed System: The wells are to be commingled upstream from a CPD meter so they can utilize a common compressor. The existing Enterprise CDP meter is located in Section 22, T27N, R8W and is on the same well pad as the Marron #42A. An allocation meter will be installed on the Marron #100. The gas flows into Enterprises' gathering system and they will maintain the CPD meter. No liquid hydrocarbons will be commingled. ✓

The working and royalty interests in both wells are the same. The actual commercial value of the commingled production will not be less than the sum of the values of the production from each well. ??



2. Wells, Locations, and Lease numbers: Exhibit #1 is a topo map showing the location of the wells and the existing flow lines. Both wells are on BLM surface land.

3. Schematic Diagram: Exhibit #2 is a schematic diagram of the proposed facilities.

4. Fuel Gas: The separator fuel is used prior to the allocation meter on the Marron #100. The separator fuel will be added to the Marron #42A production. The compressor fuel gas will be allocated to each well in proportion to its contribution to the total production.

5. Mechanical Integrity: The flow lines from each well to the CDP meter are buried 4" steel with a pressure rating of 3,330 psig. The pipeline will be tested to 500 psig.

6. Gravity/BTU: Because the wells are producing from different reservoirs, the BTU contents are not similar. Gas samples will be taken annually from each well to calculate the Btu values. The gas will be allocated on an MMBtu basis. No liquid hydrocarbons will be commingled.

7. Allocation Formula: The production allocated to the Marron #100 will be the volume of gas measured at the allocation meter minus its share of compressor fuel, then converted to an MMBtu basis. The volume allocated to the Marron #42A will be the CPD volume minus its share of compressor fuel and the Marron #100 allocation meter volume, plus the separator fuel, then converted to an MMBtu basis.

8. Line Purging: We do not anticipate purging the line very often, but when we do the lost gas will be allocated between the two wells.

9. Purged Fluids: We do not anticipate having to purge the system, however any fluids purged will be natural gas, condensate, and produced water. Any line purging will be done to a tank.

10. Meter Calibration: The Enterprise operated CDP meter and the M&G operated allocation meter will be calibrated once each year if the volumes are less than 100 MCFD. The Enterprise CDP meter and any allocation meter showing a volume greater than 100 MCFD will be calibrated once per quarter. Enterprise Field Service will maintain and calibrate the CPD meter.



11. Gas Analysis Schedule: Enterprise Field Service will analyze the gas from the CDP meter twice a year. M&G Drilling will analyze the gas from each well once per year.

12. Effective date: The pipeline system will be put into service as soon as approval is received.

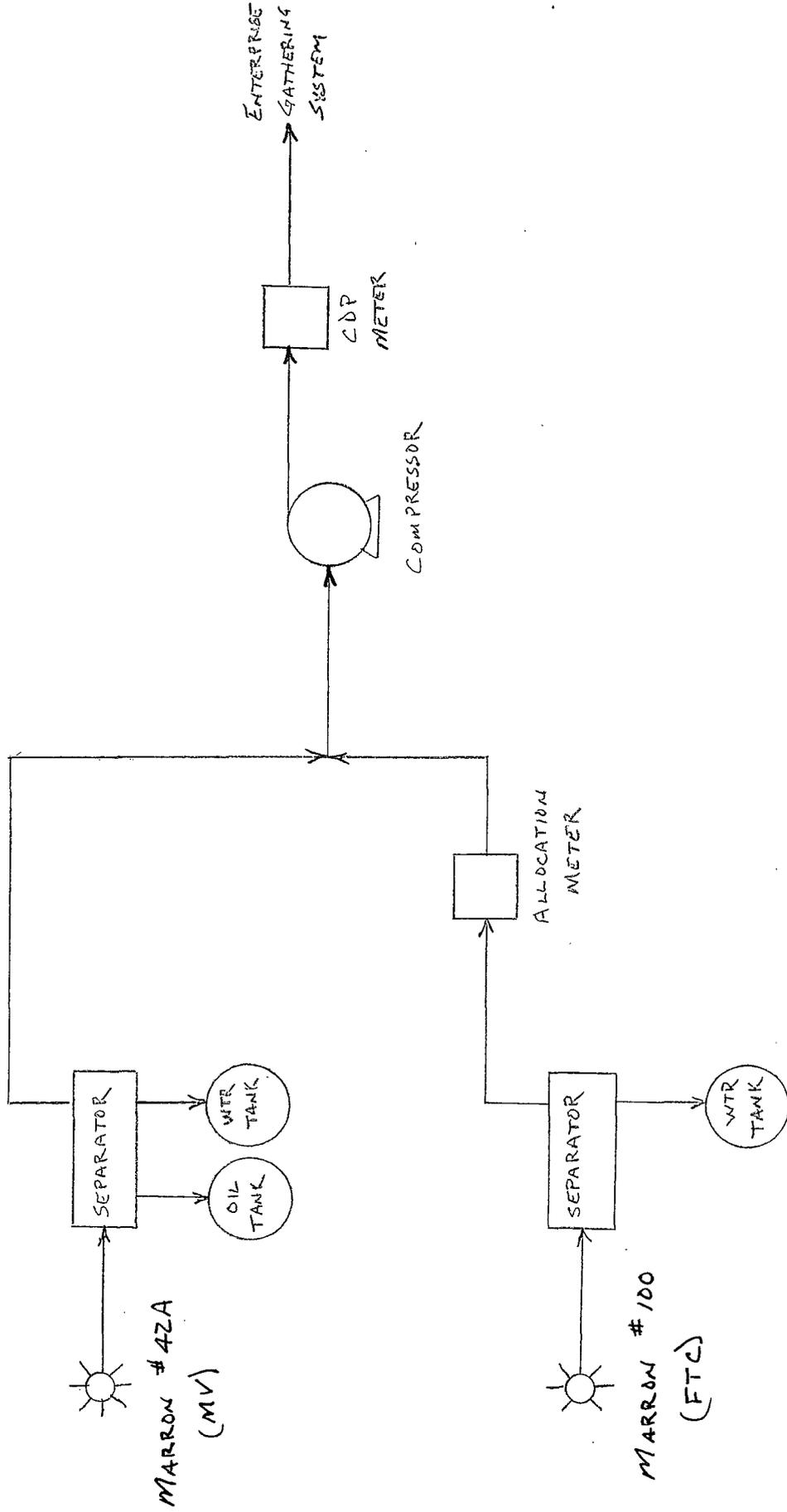
Sincerely,

A handwritten signature in black ink that reads "Paul C. Thompson". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Paul C. Thompson, P.E.
Agent
M&G Drilling Co.

EXHIBIT 2

M & G DRILLING CO
SURFACE COMMINGLING



RF

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM 03605

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Marron #100

9. API Well No.
30-045-35181

10. Field and Pool, or Exploratory Area
Basin Fruitland Coal

11. County or Parish, State
San Juan

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
M&G Drilling Company, Inc. c/o Walsh Engineering

3a. Address
7415 E. Main, Farmington, NM, 87402

3b. Phone No. (include area code)
505-327-4892

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
660' FNL and 1765' FWL, Sec. 22, T27N, R8W

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Surface</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Commingle</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

M&G Drilling Company has applied to the NMOCD to surface commingle the production from this well with the Marron #42A (MV). This will allow M&G to utilize a single compressor. All working and net revenue interests are the same for both wells and both wells are on the same Federal lease. A copy of the application is attached for your review and approval.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Paul C. Thompson, P.E.	Title Agent
Signature <i>Paul C. Thompson</i>	Date October 19, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

M&G DRILLING COMPANY, INC.
P.O. BOX 5940
FARMINGTON, NEW MEXICO 87499-5940
(505) 325-6779

November 30, 2010

Mr. Terry G. Warnell
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Surface Commingling Applications

Dear Mr. Warnell,

M&G Drilling Company, Inc("MGD") has submitted Surface Commingling Applications for the Marron 100 and the Marron 42A.

Per your request this letter confirms that MGD has 100% working interest ownership of oil, natural gas and associated liquid hydrocarbons on the wells listed above. The royalties and overriding royalties are also the same for both wells.

Any questions please contact me at (505) 325-6779.

Sincerely,


Pat Gottlieb, Executive Vice-President M&G Drilling Company Inc.

Warnell, Terry G, EMNRD

To: Paul@WalshEng.net
Subject: M&G Drilling Company

Just received your two C-103's for the Marron 100 and the Graham 100S
Please fax or email me completed Administrative Application Checklists
<http://www.emnrd.state.nm.us/OCD/documents/admnapp.pdf>

You also need to send use according to rules 19.15.12.10.2(C)&(D) a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools and leases to be commingled is identical as defined in 19.15.12.7 NMAC; and **(d)** evidence of notice to the state land office or the BLM.

Sincerely
Terry G. Warnell
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3466